

# AMRDEC PERSONNEL DEMONSTRATION PROJECT

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## Introduction

*Section 342 of the National Defense Authorization Act (NDAA) for FY95* (Public Law 103-337) authorized science and technology reinvention laboratories to experiment with innovative personnel demonstrations to attract and retain quality engineers and scientists. These demonstrations were required to be similar in nature to the China Lake, CA, demonstration project. This requirement allows demonstration project laboratory directors to have more control of the personnel function.

The Aviation and Missile Research, Development and Engineering Center (AMRDEC) implemented the Personnel Demonstration Project in September 1997. This article summarizes the major features of this demonstration project as well as the benefits derived from 3 years of experimentation.

## Background

During the past 30 years, studies have documented the plight of DOD laboratories in achieving their mission objectives. These studies generally indicate that DOD laboratory directors do not have adequate decision authority over critical processes that impact the quality of laboratory products. These critical processes are typically inherent in systems associated with procurement, financial, personnel, and facility efforts.

Most of the past studies of DOD laboratories addressed a narrowly defined problem area. However, the report of the 1987 DOD Summer Science Board on Technology Base Management led to a broad spectrum of actions to significantly reduce the

plight of DOD laboratories. One such action was the 1989 establishment of the DOD Laboratory Quality Improvement Program (LQIP), which led to revolutionary management changes in selected laboratories. Efforts of the LQIP have resulted in at least five successful legislative initiatives to improve the overall decision authority of laboratory directors. One of these initiatives, Section 342 of the NDAA for FY95 (Public Law 103-337), provides the authority for AMRDEC to conduct its personnel demonstration, which was approved by a *Federal Register* process.

## Major Modifications

The Personnel Demonstration Project introduced major modifications to established personnel policies and procedures. These modifications were designed to develop the best workforce to carry out AMRDEC's mission, to adjust the workforce to changing circumstances, and to improve workforce quality. The experimental project is chartered to demonstrate that allowing greater managerial control over personnel functions can enhance the effectiveness of AMRDEC. Expectations include increased retention of high-quality employees and increased customer satisfaction with AMRDEC and its products. The key modifications to the project and their expected benefits are listed below.

- **Broadbanding.** Reduce the number of classification decisions and promotion actions required during an employee's career, provide a broader range of performance-related pay for each level, and extend the range of the General Schedule (GS) system beyond

the GS-15 level for a senior scientific technical manager.

- **Pay-For-Performance System.** Link compensation to performance through annual performance appraisals and scores, guarantee pay increases and/or performance bonuses in proportion to performance scores, and permit discretionary compensation for extraordinary employees.

- **Simplified Classification System.** Transform the supporting personnel system from a classification-driven system to a performance-driven system, increase flexibility to assign employees (without pay change) according to the needs of AMRDEC, and provide delegated classification authority to line supervisors.

- **Hiring And Appointment.** Make timely offers to highly qualified candidates, reduce appointment authorities to four, make job offers with starting salaries anywhere within a payband, extend probationary periods up to 2 years, and provide a voluntary (emeritus) employee category of retired or separated engineers and scientists.

- **Employee Development.** Complement existing developmental opportunities (e.g., long-term training) with employee sabbaticals, and provide training that may lead to an advanced degree for critical skills (shortage or nonshortage categories).

- **Personnel Management Board.** Provide credible oversight of the project via partnership among AMRDEC management, employee representatives, and Equal Employment Opportunity Office representatives; provide quick resolution to atypical employee pay issues; and expedite employee retention pay offers.

## Program Benefits

After several years in the demonstration project, both AMRDEC employees and managers have realized a broad range of benefits. For instance, a simplified pay-for-performance system eases the burden of employees and managers. This system uses a standard formula to determine compensation that is linked to an employee's individual performance. Performance compensation is usually paid in the form of an annual base-pay increase and/or a performance bonus. Approximately 82 percent of AMRDEC employees have received both a base-pay increase and

a bonus during the past three performance periods. In addition, managers have identified approximately 5 percent of demonstration employees as extraordinary performers. For these employees, the AMRDEC Personnel Management Board awarded additional compensation of up to 18 percent of base pay, which is in addition to the formula-derived compensation.

Prior to the demonstration, engineering and scientific employees could experience many managerial promotion decisions (seven or eight) during their progression to the top of their career ladders. The broadbanding feature of the demonstration has reduced these critical decision points to less than three. Another benefit to employees is the simplified assignment process—a written memorandum between two managers. This process enhances achievement of employee career goals by allowing employees to quickly move to more challenging work assignments.

Another benefit of the demonstration is that two AMRDEC employees have been approved for paid sabbaticals to conduct onsite research in collaboration with university professors. Additionally, the Voluntary Emeritus Program has allowed seven retired federal employees to continue their research work in support of AMRDEC's mission. These emeritus employees provide essential mentoring to newly hired employees at no cost to the government.

Managers have also accrued significant benefits from the demonstration project. Through the use of 24 benchmark position descriptions, which apply to more than 2,000 AMRDEC employees, managers have shifted their focus from a classification-driven personnel system to a business-driven process that emphasizes employee development and performance. Official personnel actions have been dramatically reduced, providing managers more time to focus on employee development, performance, and customer support. Managers are now able to more easily identify top performers, and tools are in place to provide relevant compensation to those employees. Additionally, managers may recommend to AMRDEC's Director additional compensation for supervisors with base-pay adjustments and/or differentials up to 10 percent of base

salary. Approximately 70 supervisory differentials have been approved to date.

Managers also now have the flexibility to set the starting salary of new employees anywhere within the salary range of a payband, commensurate with qualifications. This flexibility has been particularly useful in the recent hiring of more than 200 high-quality employees from within and outside of government. Demonstration managers have also benefited from elimination of the "rule of three" for external hiring. This change allows managers to select from large lists of quality candidates, constrained only by the priority given to veterans on the selection list. Additionally, potential employees with a grade point average of 3.5 or greater have been offered a broader salary range in negotiating entrance salaries.

Implementation of demonstration projects across DOD has resulted in several waivers and legislative initiatives that reduced some external controls on AMRDEC's Director. These actions eliminated high-grade controls and supervisory ratios, altered the DOD priority placement process, and provided a laboratory grace period prior to implementing hiring freezes. And, because this demonstration project partners closely with the bargaining unit representative (American Federation of Government Employees Local 1858), laboratory management and the union enjoy a more productive relationship.

## Environment

AMRDEC implemented and carried out this project during a turbulent period for federal employees, which resulted from the following actions:

- *Base Realignment And Closure (BRAC) 95.* BRAC 95 led to a merger in 1997 of the Army Aviation Systems Command and the Army Missile Command with associated program budget guidance personnel reductions of approximately 527.

- *National Performance Review.* Reducing high grades from the Oct. 1, 1992, level, doubling of employee-to-supervisor ratios, and downsizing by at least 30 percent.

- *Defense Reform Initiative Directive 20.* This directive designated many

positions (at least 35 percent) as subject to review for contracting out.

The environment described above was probably the worst one possible for implementing a personnel demonstration. Employees knew there were many constraints on their career development opportunities and that their future employment was under review. For the most part, employees cited the demonstration project as the reason for the uncertainty and turbulence in their lives. This reasoning impacted employee acceptance of the project because after 2 years, the acceptance rate was only 37 percent.

## Conclusion

Although the AMRDEC personnel demonstration has no congressional constraints, it does have a self-imposed review scheduled at the end of 5 years using an impact model developed by the Office of Personnel Management and DOD. A specific evaluation criterion, which was not used in the China Lake experiment, deals with whether AMRDEC has improved its organizational performance. This assessment is subjective, at best. Various indicators of laboratory "health" are being recorded, however, including turnover rate, external recognition, and customer satisfaction. One such indicator determined that with 33 percent fewer employees today than in FY90, AMRDEC has achieved a 46-percent improvement in its customer satisfaction rating. The operating premise in the demonstration is that quality employees produce quality products and services.

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